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Advertising Age Thursday

Crain's Magazine of the Creative Process©

Special Report:

SALES PROMOTION
One-time 'stepchild' gains new respect

Roger Livingston

His Seattle agency gets global acclaim

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Thursday

Collecting Lions in Seattle

Roger Livingston's philosophy is that good advertising has staying power. Based on that outlook, the Chiat/Day alumnus has been a roaring success. His Seattle agency's list of awards is topped by back-to-back Gold Lions from the Advertising Film Festival in Cannes, an unheard-of feat for a U.S. agency. *See Page 4.*

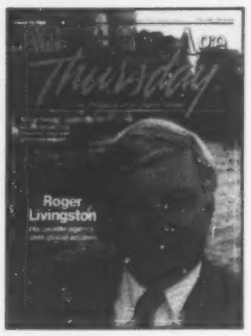


Photo by Matt Mcvay

Revealing

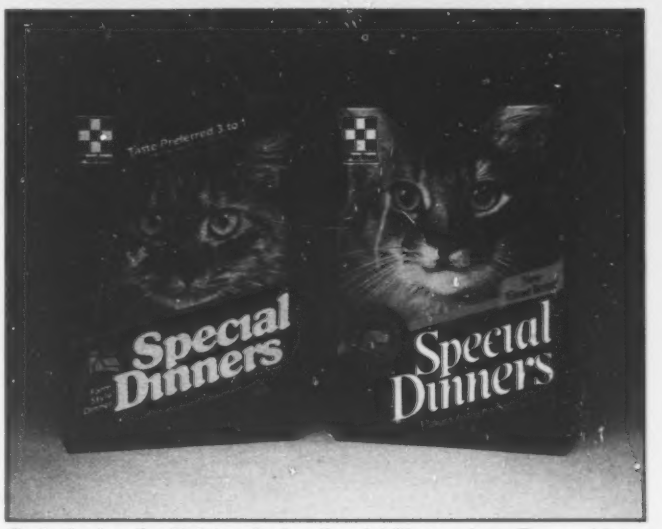
"The Nude You," reads the ad in *New York*. "Ever fantasized having a private portfolio of yourself in the nude? Museum-quality work by Parisian female photographer. Women only. A perfect gift for your loved one or just yourself. Call Marie-Claire. 212-473-1566." Behind that ad is a terrific story of art and commerce. *See Page 42.*

Radio with a bite

Canadian radio station CINE doesn't have an easy-listening format—at least not for mosquitoes. The fm station accompanies its lunch and supper-hour broadcasts with the sound of flying male mosquitoes. Listeners hear the subtle flapping only between songs, but to mosquitoes it's like fingernails on a blackboard. *See Page 44.*

Special Report—Sales Promotion

New testing, sophisticated premiums and product tie-ins are making sales promotion the Cinderella of marketing. *Page 15.*



Redesigning the Ralston Purina Special Dinners box: From a bit too "uninterested" to staring the consumer straight in the eye.

Package design gets a bit catty

By Lenore Skenazy

They arrive meticulously groomed for the auditions. They're nervous. They eye each other with envy, fear. . .and sometimes, undisguised lust. An attractive group.

When the photographer summons each in turn they sit and strut and stretch for the camera.

At his request, they lick themselves. About the only thing these furry knockouts won't do is sign their own release forms.

A paw print will suffice.

"It's exactly like modeling," says Rafael Feliciano, senior designer/director at Gerstman & Meyers, the Manhattan-based design company revamping Ralston Purina's Special Dinners cat food packaging. The four different dinner flavors require four different cats, one for each box. Finding the photogenic feline for each flavor requires no less patience and skill than, say, finding the right model for a skin cream.

G&M has been designing packages for Ralston Purina for a dozen years. They know cats and cat owners. They know that the flagship Cat Chow brand package calls for the tabby equivalent of Everyman; that Kitten Chow has to look cute enough to cuddle, and that Special Dinners packaging must look. . .special.

Design

To begin the Special Dinners project, G&M contacted a local animal talent agent, Linda Hanrahan, and requested a review of her purebreds. Says Larry Riddell, G&M vp-senior design director, "We were looking for upscale cats," ones with obvious breeding, "but not so exotic they'd look grotesque."

From the glossies, G&M chose 10 candidates for a photo session. Usually, the majority of those chosen are female because, according to Mr. Riddell, "Female cats look more attractive. Male cats are more like Morris—full around the face. They have this macho look." A kindly look is key.

Though the Special Dinners line premiered in 1970, this is the first time the cat on the package looks the consumer straight in the eye. While not a new pet food package tactic—G&M claims to have originated the direct stare several years ago—it is a dramatic departure from the previous Special Dinners' coy cat, who had looked, admitted one G&M designer, a bit too "uninterested."

Coaxing a cat into an engaging stare, however, is not as easy as saying "sardine."

Cats are nervous animals, and won't tolerate being photographed for more than half an hour. Some of them get skittish at the first click and that's it. The noise upsets them. Or the lights. Or the attention. To be on the safe side, G&M always books two or three similar cats for each package.

Not only do the cats get fidgety, they get feisty. Sometimes, the fur flies. While, theoretically, the designers could mix and match the best cats from several agencies in town, or even pick the prettiest of several pet shelters' litters, in practice this proves tricky. Cats that don't already know each other are apt to pick fights.

Or lovers. The designers chuckle a bit at this fact of life, but it's true: "You can't use them if. . ." If, let's say, they're not concentrating.

So once you have 10 well bred and well behaved cats togther for a shoot: What next? For Special Dinners the challenge was to get them to lick their lips appealingly. No mean feat.

The designers—Mr. Riddell, Mr. Feliciano and Herb Meyers, principal of G&M—sat around a table discussing the intricacies of cat tongue maneuvers:

Riddell: "You put any kind of oil—"

Meyers: "*Fish* flavored oil—"

Riddell: "Well, you touch their lips with oil or cat food, and they lick it automatically."

Feliciano: "The trick is to put it some place so the lick looks natural."

Meyers: "It's very difficult to do that. The cat's tongue whips in and out in a fraction of a second."

Riddell: "Not only that—it goes halfway across their face. We don't

(Continued on Page 47)

O'Toole to retire from FCB

By DENNIS CHASE

"I once promised myself that if I woke up some morning, thought about what I do for a living and felt anything but elation about going to the office, I'd hang it up and go into free-lance writing."

So wrote John O'Toole in his 1981 book, "The Trouble With Advertising." Early this week Mr. O'Toole, 56, took his own advice and announced that as of the end of this year he would retire as chairman of Foote, Cone & Belding Communications, a position he has held since 1981.

J. O'TOOLE

Norman Brown, now the FCB president and chief executive officer, will take on Mr. O'Toole's title as well, at least for a while. He conceded that the agency may have "other plans" which he would not divulge.

Mr. O'Toole's decision to retire after 31 years at the agency—three years before FCB chairmen customarily step down—apparently was prompted by a few French words: Deja vu and ennui.

In an internal memo to the FCB staff, he admitted to "having awakened a number of mornings lately feeling something less than elation." He said, "What I do for a living has moved me farther and farther" from "precious" involvement with clients or even FCB employes.

In an interview with Ad Age, Mr. O'Toole recalled a time in January when he raced to Italy to solve a problem with a client, who was considering dropping the agency. "It was the most fun I had had in a long time," he said. "I found myself wishing for another crisis to solve."

He said executives at big global agencies spend a lot of time buying and selling properties and very little time working with clients on the creative product.

"What John is facing is common to executives who come up through the creative end of the business and whose success leads to life in the executive suite, where they then face a whole different set of activities," said Mr. Brown.

He added that the impact of Mr. O'Toole's departure on day-to-day activities will be minimal because "John's role lately has been heavily with the Four A's and not directly with clients."

Mr. O'Toole joined FCB's Chicago office as a copywriter in 1954, rose to president in 1970 and was chairman of the American Assn. of Advertising Agencies in 1984-85.

He plans to devote his time to free-lance writing and consulting with advertisers to "help them get 100% of what their agencies can and want to provide creatively."

He has prepared a seminar to help advertisers "evaluate, care for and encourage" creative advertising ideas and may turn it into a book. He will also be on retainer to FCB as a consultant.

During his tenure as FCB chairman, the agency's worldwide billings increased from $1.2 billion in 1981 to $1.8 billion last year.#

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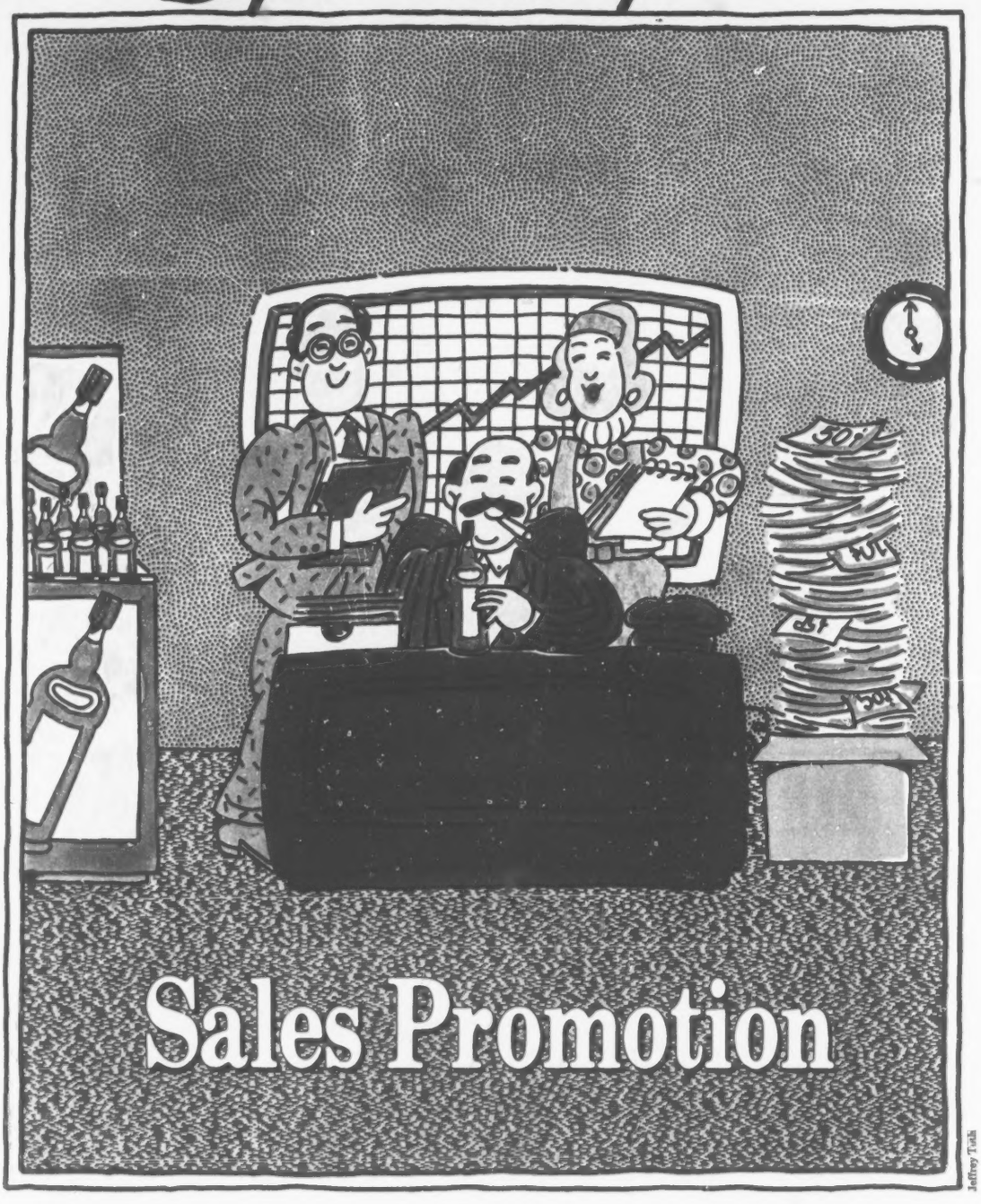
Special Report



Sales Promotion

Jeffrey Tuth

Marketing image plots turnaround

By Curt Schleier

"Fewer marketing people are treating sales promotion as a stepchild," says Stephen Field, president of Marcon Marketing Services, New York. Ron Hirasawa, president of American Marketing Services Corp., Chicago, goes one step further and says, "Promotion is moving from being the stepchild to the Cinderella of marketing."

That's the optimistic view almost universally shared by promotion executives around the country, all of whom believe the industry is a perfect fit for the marketing princess' glass slipper.

The burgeoning respect being accorded sales promotion is hardly a fairy tale. In fact, it is a culmination of a lengthy struggle to shuck an image of shysterism that has plagued the industry, probably since the days of traveling medicine shows.

The credit for this shift in attitude goes to a variety of factors and trends that have combined to focus attention on a segment of the marketing mix that its practitioners argue has been given short shrift far too long.

Mr. Hirasawa says one reason for sales promotion's rise may be that "the cost of advertising has skyrocketed to the point where $10 million to $12 million is considered a small budget."

Mr. Field says sales promotion's metamorphosis can be traced to the latter part of the 1970s. "With the economy cooling, companies needed demonstrable results a lot quicker. That's when promotion started to heat up."

Whatever the cause, marketers during the past decade have been throwing increasing amounts of money behind sales promotion, to the point where consumer and trade promotion budgets now far exceed money spent on advertising. For example, Donnelley Marketing's most recent annual survey of promotional practices shows promotion budgets in 1984 accounted for 64.4% of total marketing expenditures, and advertising accounts for the remaining 35.6%.

With increased expenditures came increased attention. Companies that largely ignored sales promotion—or relegated it to a back burner—began to focus on it and demand increased creativity and sophistication from their own staffs and outside promotion agencies.

The number of avenues to which this creativity and sophistication can be applied is limited, says Jim Feldman, who heads Feldman Associates, Chicago. Mr. Feldman quotes his friend Harry Blackstone, the magician, as saying there are only 10 magic tricks in the world. Everything you see uses a variation of those basic techniques. "When we look at the sales promotion arena, we discover an amazing similarity to magic," he says.

"It's not so much what the mechanism is, but the form you deliver it in," says Bob Lorsch, president of the Lorsch Group, a sales promotion agency in Los Angeles.

Traditionally, couponing has been the most prevalent mechanism, and it grows in usage every year. According to Donnelley Marketing, 95% of the companies that participated in its annual survey used couponing as a promotion vehicle last year. That's up from 93% in 1982 and 1983.

However, some promotion experts contend that couponing may become a victim of its own success. They say the rapid growth in the number of free-standing inserts, now offered both in daily and Sunday papers, has led to coupon clutter.

(Continued on Page 16)

Curt Schleier is an East Coast-based free lance writer.

Image

(Continued from Page 15)

Richard Barrett, president of Glendinning Associates, Westport, Conn., says, "Anybody who steps back and looks at the total number of coupons that fall out of the paper has to say that it's too much to expect someone to spend the entire afternoon going over all of these offerings. It's too much to expect that the trade is going to tie in."

Brian Clark, director-marketing services for Vlassis Newspaper Marketing, Detroit, one of the principal publishers of free-standing inserts, says, "Clutter is an issue everyone seems to want to talk about, in the same way that clutter on television was an issue when 30-second commercials were first used."

Can in-store coupon machines alleviate some of the coupon clutter? Mr. Barrett says, "I don't see that in-store couponing machines are going to grab up much business. The reason is you want to reach people as they are planning their shopping trips. You also want to use coupons to leverage trade support, and I'm not sure in-store machines have proven that they can do that."

While the redemption rate has not been affected substantially, the total number of coupons redeemed has not kept pace with the increased number available. Nielsen Clearing House, Clinton, Ia., reports coupon distribution increased 14% from 1983, to 163.2 billion last year, while in that same period, redemption jumped a healthy, but slower 12%, to 6.25 billion coupons.

The coupon redemption rate of virtually every medium measured by Nielsen—whether it is free-standing inserts or direct mail—has declined over the past several years.

Another factor against couponing is that outside promotion agencies don't seem to like it. While they call it an effective device, they also contend it's not creative.

"For a brand manager, it's a quick way to solve a promotion problem," the head of one promotion agency says. "It's far easier and safer to do than go out and create something."

That opinion is shared by at least one promotion manager on the client side of the fence. Bill Shaw, promotion director for General Foods, White Plains, N.Y., agrees that "brand managers tend to like couponing. It's easy to understand and easy to do—a diabolical combination."

The consensus is that the use of couponing will continue to grow, albeit not as quickly as before. Moreover, there are likely to be changes in the way coupons are used. There seems to be a trend toward more refund offers than cents-off to avoid what Ken Bortner, chief executive officer, Product Movers, New York, calls "the misapplication of coupons."

There's also likely to be more joint multibrand promotions, such as the Beatrice Cos. "Enter the World of Beatrice" free-standing insert, involving 35 of the company's brands, out this fall. Increasingly, inserts will have a theme, tied into the Super Bowl or outdoor cooking.

Finally, the increased amount of data computerization made available, from the scanning equipment in stores to surveys by marketing companies, will enable marketers to "more selectively and more effectively target" direct mail recipients, in general, and coupon/sampling recipients, in particular, says Austin Chave, senior vp at BBDO and manager of BBDO Promotion, New York.

Donnelley Marketing, for example, already offers selective coupons and sample mailings to households with people older than 50, teen age girls, even users of competitive products. Even more selective, targeted mailings soon will be possible, cutting costs, increasing accuracy, and, in the words of Louis Haugh, senior vp at Frankel & Co., Norwalk, Conn., "making direct response come alive."

Another area of promotion being affected by computers and other advanced technology is point-of-purchase. Increasingly, consumers are finding interactive computer terminals in retail outlets such as automobile dealerships and cosmetics counters in department stores.

According to John Kawala, exec vp of the Point-of-Purchase Advertising Institute, Fort Lee, N.J., a California company is experimenting with a laser device that will create a human figure to give a sales pitch as a customer approaches a particular product.

Combining advertising and p.o.p. displays is not new, but it is effective and will continue to grow, according to J. Patrick Kelly, K mart professor of marketing at Wayne State University, Detroit. One company he's worked with, the Fred Myer chain in the Pacific Northwest, "began to realize its wall space was valuable, and has even developed rate cards."

Dayton Hudson and Bloomingdale's use tv monitors in their stores to advertise products. Given all the alternatives, it's not surprising to hear Frankel's Mr. Haugh, say: "It's getting more and more difficult to get supermarket and drug chains to put up point-of-purchase displays. Bigger chains want the stores to look like they're in charge, not the manufacturers."

"I've heard similar comments," Mr. Kawala says. "One of the problems, I believe, is a lack of communication. Manufacturers don't seem to know what retailers want. Our studies indicate that retailers want more p.o.p. but tailored to their stores."

BBDO's Mr. Chave, who frequently lectures on sales promotion in the 21st century, sees retailers of the future not only demanding personalized displays, but personalized promotions as well.

"With the amount of trade dealing declining, and the power of retailers continuing to grow," Mr. Chave says, "there is going to be a move toward more customized trade promotions more closely involving the retailer."

Interest in localized promotions, in general, and special events, in particular, seems to be on the upswing, particularly those that can be tied into a community event. For example, Tony Hobson of Hobson, Barnes & Associates, Atlanta, created the Strohs Run For Liberty promotion, an 8-kilometer run, with part of the proceeds from entry fees being donated to refurbish the Statue of Liberty.

The promotion ran in 123 cities last fall, involved extensive use of free radio time on "official" Run for Liberty stations, and resulted in "very high acceptance by the national retail trade," Mr. Hobson says. "We had sell-in acceptance of 70%."

Mr. Hobson says a "special benefit comes when you can tie a promotion into a charity event of high community interest. It's a marketing-plus."

But whether a charity is involved or not, Mr. Hobson notices that "with aerobic competitions and triathlons, life-style events seem to have shown considerable growth." As an example, for Raleigh cigarets, which was interested in the Middle America market, Mr. Hobson arranged a 30-city series of truck pulls to help garner interest.

Special events promotions can give agencies an opportunity to reverse the normal buyer-seller relationship. Normally, an agency will wait for a client to present it with a problem. With the right special event, an agency may approach a marketer and say, "look, I've got a solution."

For instance, Mr. Hirasawa came up with a novel way to reach the growing Hispanic market. He forged agreements with Catholic churches in Spanish neighborhoods in Chicago, San Diego and San Antonio to act as p.o.p. redemption centers. Whatever p.o.p. materials the churches receive can be turned in for anything from college scholarships to audiovisual and sports equipment.

Promotion in hand, Mr. Hirasaw sought marketers to participate. Although he won't reveal their names, Mr. Hirasawa has received indications of interest from several companies, and he expects the promotion will run next spring.

"The principle we work on is borrowed value," he says. "A bag of potato chips is a commodity. One tastes pretty much like the other. How do you give it added value? Perhaps hook it into a theme park, and offer a $7 discount on a $14 ticket. You've given that bag of potato chips an added value of $7.

"The same thing with the Hispanic promotion. If you won't buy product 'x' because we sent out a 10-cent coupon on it, maybe you'll buy it because we're donating 10 cents to charity."

Another example comes from Mr. Lorsch, who is holding discussions with the National Aeronautics & Space Administration about using the space shuttles as promotional vehicles.

Are there no storm clouds on sales promotion's horizon? While Walter Coddington, president of Walter Coddington Promotions, New York, is generally optimistic; he says that even though the amount of money devoted to sales promotion is on the rise, "a large percentage of that is still devoted to trade deals and allowances, essentially discounting."

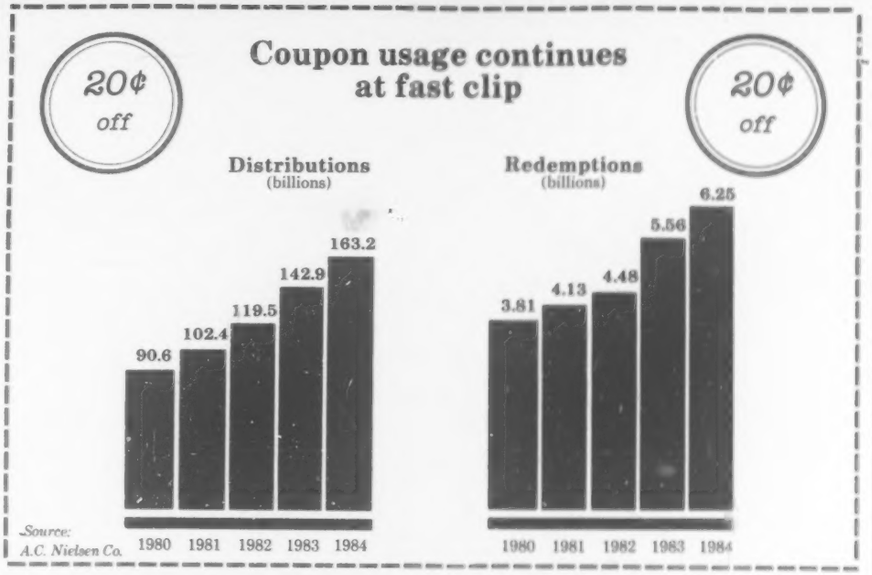
He says there's "got to be a shift in that," but he's concerned marketers may feel they "are trapped, that they can't 'not' now offer trade deals or retailers will switch to other brands."

Like money locked into couponing, money set aside for trade deals often precludes the use of more creative promotions. Changing the emphasis from trade deals to consumer promotions—a trend already well under way—may accelerate as promotion agencies get more involved, Mr. Coddington says. "We're getting much more involved with the company's advertising and public relations. We're pushing for it, and it's been working out very well."

BBDO's Mr. Chave says the integration of advertising, sales promotion and pr under one umbrella will continue, as will the interest on the part of ad agencies in acquiring their sales promotion counterparts.

Mr. Lorsch says he's been approached several times. "I listen," he says.

"There's a danger in that advertising people have a tendency to think of sales promotion people as schlocky. But, stripping away ego, there's a certain logic to the merger. Look, I'm 35 years old, and I have to ask myself if 10 or 15 years from now I want to be at war with a multimillion-dollar corporation."



Redemption rates by media (Grocery products)

		1984	1982
Daily newspaper			
	R.O.P. solo	2.6%	2.9%
	Co-op (all)	2.7%	3.2%
	Free-standing insert	4.2%	—
Sunday paper			
	Free-standing insert	4.5%	4.6%
	Supplement	2.1%	2.3%
Magazine			
	On-page	2.0%	2.5%
	Pop-up	4.7%	5.2%
Direct mail		8.1%	9.3%
In/on-package			
	Regular in-pack	16.6%	18.1%
	Regular on-pack	13.3%	12.7%
	Cross in-pack	5.8%	6.8%
	Cross on-pack	5.1%	4.1%
Instant on-package		27.9%	—
	Average redemption rate		

Source: A.C. Nielsen Co.

Trade wars threaten future peace of marketers

By Richard Edel

A trade war is simmering over special discounts that package goods marketers give to retailers for providing products with an extra push.

These discounts, called trade promotions, allowances or push money, build sales volume in the short-term, but also can erode long-term profitability. Experts say this deal making is mortgaging the future of some products, even while the marketers appear to be gaining market share and sales volume.

Although the money is difficult to track down, promotion allowances for package goods to drug, grocery and discount stores have grown from about $9 billion in 1979 to about $18 billion today, says Bob Schmitz, vp-research, development and planning at Majers Corp., an Omaha, Neb.-based company that monitors trade promotions for manufacturers.

Promotional dollars for package goods are divided roughly 70% grocery, 20% drug and 10% discount stores, Mr. Schmitz says. The dollar figures are staggering, compared with grocery industry profits of about $4 billion annually.

The main bone of contention for marketers is whether trade promotions bring about incremental profits through increased use of products, or whether the products eventually would have been sold anyway, regardless of promotions. Some say retailers have become as dependent on fattening the bottom line through deals made in the buying office as through sales at the checkout counter. If this is true, trade promotions could be thought of as an institutionalized form of bribery to gain and keep market share.

A 1976 study in Sloan Management Review, Massachusetts Institute of Technology, Cambridge, says 46% of accepted deals get no merchandising support in the retail outlet, and 66% of total allowances are not passed through to the consumer. One reason is that retail chains and wholesalers engage in forward buying, which means buying enough goods on promotion to have some left over for full price sales later. Another tactic is called diverting, the practice of buying goods in a market where they are on promotion and moving them to one where they can be sold at full price.

Of course, most marketers place conditions on promotional allowances, such as reduced pricing, shelf or floor display, and advertising, but that only covers the item when it is on promotion. It is not uncommon for wholesalers and retailers to borrow money, rent warehouse space and store products, if the deal is sweet enough to offset the added costs.

But retailers defend their use of forward buying and diverting to bolster margins and keep retail prices low. With net profits on grocery store operations averaging as low as 1%, it's not as though they are lining their pockets with promotional dollars. A typical trade discount of 15% to 20% to stimulate sales will do just that, and it's not uncommon for manufacturers to offer additional discounts at the end of a promotion to encourage forward buying, they say.

"It's the manufacturers who create this deal buying situation," says an executive for one of the nation's largest grocery retailers, who asked not to be identified. "If somebody hands you something on a silver platter, you're going to take it. It's a rational response to an irrational situation."

Trade deals took root in the early 1970s under the threat of federal price controls from the Nixon administration. List prices at that time were inflated to protect profit margins in case of a price freeze, and marketers cut back on pricing through deals. The dealing grew as inflation forced frequent price increases, which were rolled back to competitive levels. Once the system took hold, it became addictive.

Compounding the problem for manufacturers were high interest rates and a deep recession in the early 1980s, which caused record business failures, resulting in consolidation of the retail industry. Larger retail operations meant more buying and bargaining power for the retailer. Internal reward systems for manufacturers, based on sales, not profitability, also contributed to the promotion mania.

A final consideration is increasing use by retailers of computerized point-of-sale technology, which provides detailed information on the movement of goods. It is this that frightens brand managers into maintaining the status quo, if not increasing the promotion ante. If a manufacturer were to cut back and his competition didn't, the reasoning goes, the result would be a loss of market share for the marketer that did cut back.

Jeffrey Toth

These factors are shifting the balance of power away from the manufacturer to retail and wholesale buyers. Oddly, however, although retailers stand only to gain from trade promotions, they too have complaints. The increasing complexity, number and frequency of trade promotions causes confusion.

"As promotional requirements become more complex, it becomes more difficult to remain consistent with the consumer," says Richard Fredericksen, vp-director of marketing for Lucky Stores Southern Food Division. Lucky Stores, Dublin, Cal., is a $9.2 billion operation with 1,600 stores in the Southwest.

"There's no perceived value [for the consumer] if you can buy a product that is on promotion as often as off," Mr. Fredericksen says. "This causes a real resistance to paying full price. Consumers think the retailer is ripping them off or they buy a brand that's on promotion."

As consumers become conditioned to seek out ever lower prices, brand loyalties are compromised, especially for marginal products. In a Needham Harper Worldwide study, the percentage of consumers saying they try to stick with major brands dropped from about 80% to 60% during an eight-year period.

In effect, says John A. Quelch, associate professor at Harvard Business School, marketers are turning the reins over to retailers by devoting less money to advertising, which creates consumer "pull," and more to promotions, which "pushes" products through trade channels.

Leading brands are the most insulated from consumer brand switching because they build a loyal franchise through advertising, which provides the marketer with leverage on the size and scope of the promotion, Mr. Quelch says. "Hunt's and Heinz catsup will always be on the shelf, but a Del Monte might have to buy space with trade allowances," he says.

Another factor is that the growth rate of retail shelf space has slowed in recent years. As a result, marketers are trapped in what Mr. Quelch calls a "prisoner's dilemma," meaning they realize that excessive promotions are destructive, but they can't cut back for fear of losing market share.

The interplay of these factors is skewing marketing budgets in favor of trade promotions, consultants say. "Many of our clients have been diverting their marketing dollars to short-term trade promotion strategies and away from advertising," says Mr. Schmitz of Majers Co.

"It's a terrifying thing," he says. "Manufacturers used to be able to dictate the terms of sales. Now, many retailers have unbelievable influence."

Further complicating matters is a difference in perception as to the seriousness of the situation. Manufacturers and distributors surveyed in 1980 by *Progressive Grocer* were asked to rank in order of importance a list of 49 business issues. First on the manufacturers' list was "deals vs. performance rendered." The same issue ranked No. 35—near the bottom—of critical concerns for distributors.

Perhaps this explains why so many leading manufacturers are the ones taking action to modify their trade promotion activity before the problem gets out of control. Consultants say the effort is none too soon.

"We estimate that a third to two-thirds of the dollars that manufacturers now spend on trade promotion is just wasted," says Robert Brown, president of SPAR Inc. (Sales Promotion Analysis Reporting) in Tarrytown, N.Y. The company's clients include Procter & Gamble, PepsiCo, Coca-Cola Bottling Co. of New York and Kraft.

By and large, the SPAR clients contacted by Advertising Age say they focus on gaining incremental profits from increased sales and consumption of their products.

"We don't offer promotional dollars just to stock warehouses," says John Howell, national sales manager at Miles Laboratories, Elkhart, Ind., a client of SPAR, which has evaluated more than a million promotions in its 20 years in business. "An overstocked trade just doesn't make good business sense. The old catch phrase, 'loaded is loyal' has gone the way of Willy Lohman."

When Miles Labs increased media and trade promotional spending last year, it also increased its expectations, Mr. Howell says.

The company changed its promotional strategy from one offering across-the-board discounts to one that offered allowances based on several levels of performance. Called tiered promotions, the new strategy offers a base discount and additional allowances as incentives for buying various displays or buying cooperative advertising. Retailers are divided into "regular" and "special" performers, he says.

But convincing retailers and wholesalers to sell more by using the full power of promotions is a tough battle. "It's really an education to get the retailer to think in terms of making money on selling [a product] rather than making money by buying it," says Paul C. Gorman, sales promotion manager at R.T. French Co., Rochester, N.Y. "The name of the game is incremental business, and it requires a teamwork approach."

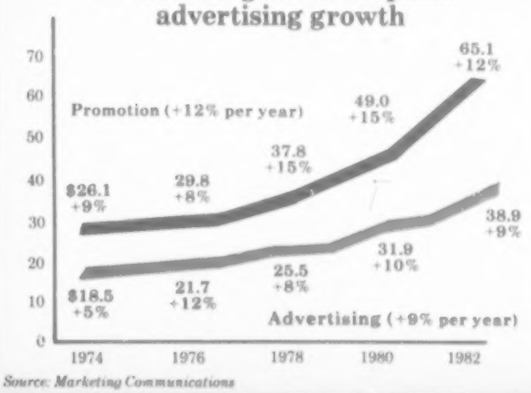
Mr. Gorman's company uses SPAR data to show how French's products are selling in relation to close competitors.

"When you can show a customer that his competition is generating more [incremental volume and profits] from your promotions, you then have a more receptive audience to recommend improved promotion

(Continued on Page 20)

Richard Edel, a frequent contributor to Special Report, writes extensively on sales promotion.

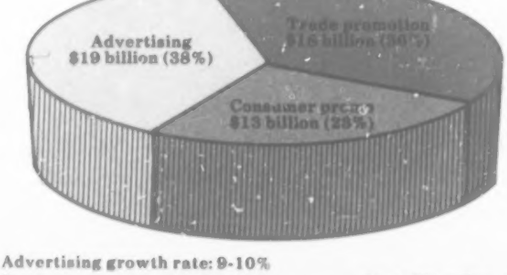
Promotion growth outpaces advertising growth



Source: Marketing Communications

Manufacturers *emphasize* promotion

Package goods (Primary retail channels) $50 billion in 1984



Advertising growth rate: 9-10%
Promotion growth rate: 12-14%

Source: Majers Corp., 1985

Trade

(Continued from Page 18)
performance," Mr. Gorman says.

French also uses the data to fine-tune its marketing program according to geographic areas and other marketing factors. In one instance, the company was able to trim 15% to 20% on promotions for its Sauce & Gravy brand while maintaining the same level of sales.

Perhaps nowhere does the competition focus more strongly on trade promotions than in the soft drink industry. And for this reason, both PepsiCo and Coca-Cola rely heavily on research to track each other's moves and determine the effects of promotion on volume and profits.

Pepsi-Cola uses SPAR data to track off-shelf display execution, says G. Michael Calvert, director-sales communications for Pepsi-Cola Bottling Group, Purchase, N.Y. SPAR's Thursday night survey keeps tabs on display size, price markings and p.o.p. locations, reporting by Friday morning in time for corrective action to maximize weekend retail sales.

Assuming Pepsi-Cola could effect a 10% improvement in display execution, Mr. Calvert says, the result could be a tremendous increase in volume sales. Just how much better is shown in two Point-of-Purchase Advertising Institute-Du Pont studies of the drugstore and grocery trades, which found that advertising combined with in-store displays improved sales between 500% and 750%.

Pepsi-Cola is concentrating on displays in an attempt to reduce its reliance on promotions in building sales volume. "Ultimately, you don't get the pull through from the consumer if your product is on promotion all the time," Mr. Calvert says.

Even his competitors agree. The danger in discounting, says Bruce Mommsen, senior vp of Coca-Cola Bottling Co. of New York, Greenwich, Conn., is that it promotes consumer brand-switching, eats into profits and intensifies competition.

On the plus side, trade promotions do encourage increased consumption, but at what cost? Mr. Mommsen says. Given the price range for a 2-liter bottle of Coke from 99 cents to $1.59, "that's a hell of a spread," he says.

As a result of SPAR's consulting services, Mr. Mommsen discovered that nearly 100% of sales volume on the 2-liter size was sold with some form of promotion, with very little incremental volume. Presumably the same was true for leading competitors in the New York area.

"What has happened is that we get our week, and they get theirs," Mr. Mommsen says. As a result, brand loyalty has declined steadily from a high of 60% many years ago to about 20% today, he says.

But Mr. Mommsen's company, the second-largest Coke bottler behind Coca-Cola U.S.A., is making promotional changes. It eliminated certain off-week deals and reduced the frequency of discounts.

The changes might not seem like much, but even slight alterations in the discount formula could result in huge changes on the bottom line, Mr. Mommsen says. With sales of 80 million cases a year, if Coca-Cola New York can shave a penny off promotions on a package selling for $1.25, it could net almost $1 million. The profits then could go to stockholders or into more sensible promotions and ads.

"What we're attempting to do is spend a little bit smarter," Mr. Mommsen says, with the eventual goal of narrowing the spread between regular wholesale and discount pricing. "We'd like to see Coke at a price level that's attractive to the consumer everyday."

"Everyday low pricing" has become a buzzword in the grocery industry, a fact partially due to excessive trade promotions. But what if every marketer suddenly decided to stop?

"If tomorrow they stopped dealing products," Lucky Stores' Mr. Fredericksen says, "the retailers would have to do more volume or raise prices." AA

Movie

(Continued from Page 19)
tickets to radio stations to award callers. The fact that radio stations also benefit from these promotions makes them especially popular.

Many close to the film industry believe that the proliferating placement business is due for a shakeout. "They're only about a hundred companies that are really interested in getting involved in film promotions," Mr. Minot says. "With so many [placement agencies] falling all over each other for their business, it gets confusing. The sizzle overcomes the steak."

This new chapter in Hollywood-style promotions has had an unerasable impact. For target-conscious advertisers and hype-seeking studios, it's a match made on Madison Avenue. And, for a product-fascinated society, which has been known to elevate soup and soda cans into the realm of high price art, it must be heartening to know that certain detergents and cereals will be enshrined forever on celluloid. AA

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Promotions add fizz in soft drink business

By Sally Fennell Robbins

Promotions in the soft drink industry are beginning to explode as producers and bottling operations take a more imaginative and aggressive approach to local market activities.

"Historically, the business has been characterized by trade deals," says Jeffrey Feinman, president of Ventura Associates International, New York. "It's been only recently they're looking at aggressive promotions. The industry woke up to the fact that the business could be affected by consumer promotion."

Mr. Feinman says he believes soft drink companies will give promotion "more than lip service. It will be an active part of the marketing mix."

With the consolidation and reorganization of bottlers in recent years into larger, more efficient operations, their efficiencies are generating larger margins for promotions. As Mr. Feinman says: "Many bottlers have bigger budgets than most brands."

Sally Robbins is a New York-based free lance writer and promotion consultant.

Consequently, more localized promotions are being developed by bottlers and their franchises that capitalize on the opportunities in their markets. In some cases, local promotions are so successful the parent company adopts them into national campaigns for their bottler organizations to consider. For example, Alpac Corp., Seattle, originated the Little Pepsi Identification promotion in the fall of 1983 as a public service for parents with missing children. Pepsi-Cola adopted Alpac's program last year and is offering the Pepsi-Cola New Generation ID Card to its bottlers nationwide.

"Parent companies are faced with stronger and more sophisticated bottlers," says George Baratta, vp-marketing, All American Bottling, Coral Gables, Fla., which operates franchises in nine cities. Mr. Baratta says soft drink companies are "getting a lot more performance, cooperation and good ideas from bottler feedback."

National programs developed by parent companies are considered and, in most cases, adapted by bottlers to appeal to the demographics of their markets.

"We take ideas Pepsi presents and mold them to be compatible with our customers and the trade," says Leslie Meagley, pr manager, Alpac Corp., a Pepsi franchise for Hawaii, Alaska and Washington. On her promotional drawing board is a tie-in with the Tina Turner rock concert tour Sept. 29 in Tacoma, Wash.

Image positioning promotions and segmentation will continue to be important. For example, Pepsi's Walk Thru Rock traveling exhibit to 24 cities, beginning Sept. 11 and ending next summer, is part of its music marketing thrust.

PepsiCo signed a $1 million deal with Walk Thru Entertainment, a Denver-based company, to be the exclusive sponsor for the exhibit. It has the right to market promotion materials through Pepsi's distributors and tie-in opportunities in each market through its bottlers (AA, April 8).

Coca-Cola and its "new" Coke brand will continue a fall tie-in with Coleco Industries, but this year the sweepstakes will raise money for the Statue of Liberty instead of the March of Dimes.

The campaign, called "Support the Lady and Share the Love," will run from mid-October through mid-November and will be supplemented by radio, tv, print advertising and point-of-purchase materials.

Consumers donating $5 or more to the Ellis Island restoration project will receive Cabbage Patch Kid doll posters. The sweepstakes will award 5,000 dolls. Bottlers will receive a Statue of Liberty school program, combining education, fund-raising and contest.

In promotion trends, "There'll be more tie-ins, nationally and locally, with nontraditional partners," says John Young, president, Universal Promotions, Philadelphia.

Partnerships with package goods and consumer service companies "can take a lot of different forms to increase awareness and purchase incentives. Soft drink people are beginning to offer value-added promotions instead of couponing, refunding or something free." Such value-added enhancements, Mr. Young says, could include combinations with air carriers, cruise ships, hotels and vacation packages.

"Cola marketing is taking a more package goods discipline [approach]," says Ellis Gaskell, director-promotion programs for Pepsi-Cola Co., Purchase, N.Y. There's a lot of experimentation being done on a tie-in basis, particularly given the pressure within the industry to avoid price competition, he says.

Pepsi-Cola tied in with Gillette Good News razor blades this year with a deal that featured 10-pack razors and Pepsi 6-packs. "The verdict is still out" on the success of the campaign, Mr. Gaskell says.

According to Peter Swift, vp,

(Continued on Page 26)

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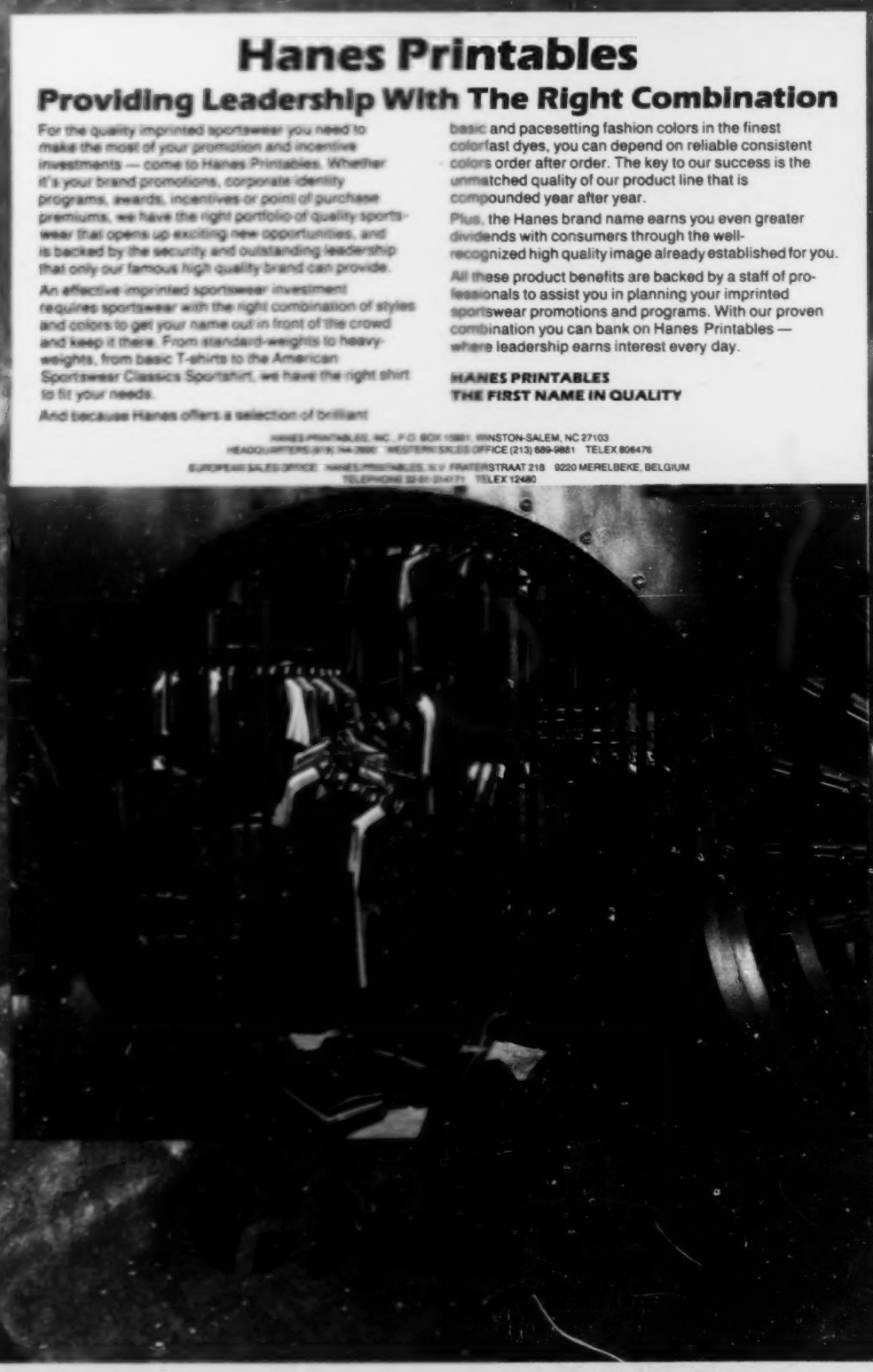

Fizz

(Continued from Page 24)

Glendinning Associates, Westport, Conn., "The challenge [of promotional tie-ins] is executionally with the bottlers. Who pays?"

In the more traditional techniques used in the soft drink business, in-pack and on-pack games of chance will continue as an effective tool among bottlers. In addition, sweepstakes are seen as important to focus a communications statement and generate displays and dealer loaders, premiums retained by stores or offered to consumers to secure secondary display space. As an overlay to couponing, sweepstakes can increase redemption by 30%.

Couponing will continue to be widely used. In 1983, distribution of coupons in the soft drink category was 4.3 billion units, or 3% of the 143 billion distributed by all U.S. marketers, says Zachary Tahmin, manager of the business research packaging sector, American Can Co., Greenwich, Conn.

American Can's analysis, based on data compiled by A.C. Nielsen Co., expects its 1984 forecast to be on target with a total of nearly 170 billion coupons distributed. Mr. Tahmin says, "the 1984 figure [for soft drinks] will probably approach 4.5 billion to 5 billion coupons."

Mr. Tahmin projects the 1985 figure for soft drink coupon distribution to exceed 1984, "since there's a lot of fighting for shelf space."

At Coca-Cola Bottling Co. of New York, for example, there has been a recent fueling of coupon activity. "We've dropped more coupons in the last year than we have during the past 10 years," says James Patton, vp-advertising and promotion at the New York bottlers. He primarily uses local newspapers or in-store tearoff pads as vehicles.

Some bottlers say more free-standing inserts are being used to announce consumer promotions.

As an intensely price competitive industry—90% of soft drink volume reportedly is sold at discounted prices—trade deals will continue to flourish.

"There'll be more end-aisle and price features done through price promotions in supermarkets," says Michael J. Enzer, president of Saxton Communications Group Ltd., New York, and president of the Council of Sales Promotion Agencies, New York.

Accelerating trade deals, he says, is the drop in the price of sugar. As a result, "The bottler has more dollars available to reduce the cost of soda and still make a profit."

For soft drink canners and bottlers, nonprice promotions have increased sales, whether the concept is under-the-crown, under-the-tab or the relatively newer in-the-can technique developed in 1982 by Continental Can's Beverage Packaging division, Stamford, Conn., working with Videojet Systems International, a division of A.B. Dick Co., Elk Grove Village, Ill.

It allows promotional coding to be printed inside the can using ink jet equipment.

For New York and Mid-Atlantic Coca-Cola bottling companies, UTC "Fun Cap" promotions have been successful as tie-ins with participating partners in their respective trading areas.

At Mid-Atlantic Coca-Cola, its third annual Fun Cap promotion, which runs July through mid-September, ties in with Hardee's, Baskin Robbins, Waldenbooks, Commodore and the area Dodge dealer, says Paula Scanlon, director-advertising and promotion.

"Every cap is a winner," she says. "We have had a high consumer response. Our research survey indicates the Fun Cap name has an 80% awareness. Fun Cap promotions are an incredible administrative task, but they're good for all partners. It's a 'win-win' situation," Miss Scanlon says.

For Coca-Cola in New York, Fun Caps are used as an "umbrella, on-going consumer promotion," says Bruce Mommsen, senior vp-marketing. "We bring in as many partners as possible and convert the advertising. If we spend $500,000, we'll get $1.5 million from partners."

Mr. Mommsen says Fun Cap promotions also are used for one or two national overlay promotions, as well as five to six different local offers on-can that range from New Jersey-based Great Adventure to Radio City Music Hall for price-off on ticket purchases.

In the Midwest, several major bottlers prefer ITC promotions over UTC for security, flexibility and consistency of performance.

"In-the-can promotions are more legible and there is no way consumers can tamper with it," says Ralph LaPoint, chairman, Wis-Pak Co-Op Advertising Committee, La Crosse, Wis. The company is a five-state Pepsi bottling co-op.

This year, Wis-Pac extended its second year Homerun Countdown Baseball sweepstakes promotion with the Milwaukee Brewers to include the Chicago Cubs and the Minnesota Twins, whereby bottlers in the three states participated. In-can instant prizes included a free Pepsi 6-pack, free pair of tickets to a baseball game, and $100 and $1,000 cash. All eight Pepsi products were involved. The promotion was tied into the All Star game. During the break, owners of cans marked with specific home run numbers were eligible to win $10,000 and a car.

As soft drink consumption continues to grow, so will the ante in consumer promotions. In the battle for shelf space, however, the winners remain to be seen. —S.S.

Promotion dollars pop

($ billion)

	Couponing	P.O.P.	Promo/adv. space
1984	3.4	10	7.2
1983	2.7	8.8	5.9

Source: Marketing & Communications, New York

Fun Cap promotions have been successful for New York and Mid-Atlantic Coca-Cola bottling companies.

Lottery targets minorities

Coca-Cola Bottling Co. of New York, has launched a 12-week lottery in four New York boroughs and in Newark, N.J., in a distribution promotion aimed at increasing penetration of small, Spanish-language grocery stores—called bodegas.

"Get Rich with Coca-Cola," budgeted at between $700,000 and $800,000, according to Bruce Mommsen, senior vp-marketing, kicked off Aug. 5—after being preceded by a direct mail coupon package announcing the lottery to 830,000 black and Hispanic households.

For the first time, the company used Donnelley Marketing Information Services' Cluster Plus program—analysis clusters life style segmentations within geographic neighborhoods.

The ethnic households targeted for Coca-Cola received a game piece and instructions, plus four coupons; two for Coke and one each for Cherry Coke and Sprite.

The distribution promotion, involving all 15 Coca-Cola products, is seen as an important part of maintaining the bottler's competitive edge.

"We should be as competitive on the consumer promotion side as we are on the cents-off side. The decision is made at the store level so we want to give them as many choices as we can," says James Patton, vp-advertising and promotion.

The ethnic promotion is aimed at dealers and has two consumer tiers—instant winners and a sweepstakes.

On a buy of 25 cases, the dealer gets 300 game cards, which automatically enters him in a weekly cash prize drawing and eligibility to vie for a Ford Thunderbird grand prize.

WJIT (am), New York, announces weekly dealer winners for the trading areas, and each dealer winner receives $1,000. Mr. Patton says the company hopes to get 5,000 dealers involved in the promotion.

Consumers can be instant winners or vie for a Ford Thunderbird grand prize, as well. The ruboff game cards, available in-store, have three areas to match. Prizes include a 19-in. color tv, a boom box radio, $25 or a Coke t-shirt.

All entrants send their game cards to WNJU-TV, Teterboro, N.J., a Spanish speaking tv station, to enter a weekly drawing for the grand prize. Announcements will be made on the 11 p.m. news Wednesdays. Winners get $1,000 in cash. Similarly, WBLS (fm), New York, an English-speaking station, will announce winners, as will WADO (am), New York, a Spanish-language station.

A specially produced 30-second spot will support the promotion (Castor Spanish International, New York) and will air throughout the lottery on WNJU. Also, there are 30 60-second radio spots and print advertising in black and Hispanic newspapers.

—S.R.

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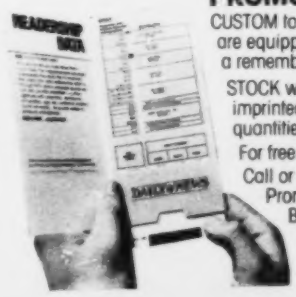

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